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New York

SUMMARY RECORD OF THE 12th MEETING

Chairman: Mr. DINU (Romania)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 102: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued)

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The meeting was called to order at 3.30 p.m.

AGENDA ITEM 102: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/47/5 and Corr. 1 (vols. I, II and III), and Add. 1-3, Add. 4 and Corr. 1, Add. 5-7, Add.8 and Corr. 1, A/47/315, A/47/460, A/47/500 and A/47/510)

1. Mr. MICHALSKI (United States of America) said that his delegation welcomed the response by the UNDP Administrator to the external auditors' comments and reports. He trusted that the Administrator would continue to rely on the external auditors' comments as a management tool, and looked forward to receiving updates on progress made. Other organizations would do well to emulate the transparency evidenced by UNDP in terms of policy reviews and recognition of the need for action.

2. With respect to the continuing refusal by some agencies to conclude standard basic executing agency agreements with UNDP, and the comments of the Advisory Committee that the Consultative Committee on Administrative Questions (Finance and Budget) was reluctant to pursue the matter in the absence of a formal recommendation by the Panel of External Auditors, he asked whether the Committee must wait for the Panel to act or whether the issue could be addressed in the relevant resolution of the General Assembly at the current session.

3. Concerning the low rate of auditing of nationally executed projects referred to by the Advisory Committee, his delegation was disappointed at the scant progress made in increasing audit coverage, and trusted that the measures taken to streamline procedures would not further weaken audit coverage.

4. The auditors had noted that a large number of travel advances remained outstanding for more than a year, in which connection he asked whether UNDP, when granting new travel advances, reviewed the status of outstanding advances to ensure that anyone who might owe money in respect of travel would not receive further travel advances.

5. Further to the case referred to in the financial report on UNDP (A/47/5/Add.1, para. 113)) concerning an accident involving a UNDP vehicle used for private purposes by the wife of a former United Nations official, he asked whether UNDP would normally authorize the use of official vehicles in such circumstances. He inquired whether the driver had since recovered and trusted that the driver had not been asked to pay for the damage to the vehicle. In general, his delegation shared the concern expressed by others regarding property control at UNDP and throughout the system.

6. His delegation understood that UNDP employed a number of retired staff members who were not United States nationals under consultancy agreements at nominal rates, with the aim of securing G-4 visas for the individuals

(Mr. Michalski, United States)

concerned. Such a practice would infringe United States immigration regulations. He asked UNDP to provide a list of all such individuals.

7. His delegation would welcome clarification of the case identified by the Board of Auditors in which a staff member had been paid $80,000 over a period of several months although the individual had not performed any services for UNDP. It would be of interest to know whether other such instances had come to the Board's attention.

8. Lastly, with regard to the six cases of special leave with full pay, which had led to the payment of more than $720,000 up to April 1992, he asked who had been responsible for authorizing the leave, and whether those concerned would be held financially accountable.

9. Mr. KINCHEN (United Kingdom), on the subject of new contractual arrangements at UNDP for short-term staff said that the Advisory Committee had referred in its report (A/47/500) to the revised budget estimates for the biennium 1992-1993 (DP/1992/40) and to its own related report (DP/1992/39). His delegation thought it important for the report to refer to all relevant documents submitted to the Governing Council as well as to the discussion in the summary records of the Governing Council.

10. Mr. CLAVIJO (Colombia) welcomed the information provided by UNDP regarding the auditing of nationally executed projects. The move by UNDP towards a programme-based approach would imply changes in the corresponding audit approach, and would allow for greater involvement by Governments. He wished to know how far UNDP had progressed in considering the adjustments that would be necessary in terms of programme-based auditing within the context of nationally executed projects.

11. Mrs. SHAM POO (United Nations Children's Fund (UNICEF)), responding to questions from delegations, said that UNICEF, along with other agencies, provided salary allowances and other incentives to government employees in programme activities. UNICEF agreed that there was a need for a consistent policy in that regard, the most appropriate forum for consideration of the issue being the Joint Consultative Group on Policy (JCGP). A working group had already been established to address the issue, with the aim of agreeing on a common approach that would result in transparent, equitable and coordinated support for government staff.

12. With regard to the internal audit function at UNICEF, the Executive Director of UNICEF had recently clarified the objectives, authority and responsibilities of the internal auditors, and had reminded UNICEF offices that they were responsible for taking effective corrective action in response to internal audit recommendations. UNICEF had established a high-level Internal Audit Committee to review internal audit reports and monitor corrective action, and the agency also attached importance to the recommendations of the external auditors. UNICEF had now filled all its internal auditing posts.

(Mrs. Sham Poo)

13. With regard to control of non-expendable property, UNICEF had now received a physical inventory reconciliation of non-expendable property from all but one office, and an accounting instruction had been issued describing reporting procedures for the purchase and disposal of such property. Starting with the current biennium, the value of non-expendable property would appear as a footnote in UNICEF financial statements. The latest version of the Global Field Support System, used to monitor the status of programmes and related expenditures, was due to be released at the end of October.

14. UNICEF agreed that financial accountability was important, and the Executive Director had recently called for all staff to support the working group on financial accountability established by the agency. The working group was reviewing existing financial controls, the organization's structure and process of delegation, the clarity of authorities and responsibilities, system procedures, and the adequacy of the financial rules and regulations. The group's aim was to clearly define external accountability obligations and the delegation of financial authority within the agency. Senior management at UNICEF were fully committed to improving financial accountability. UNICEF's decentralized, country-based approach posed special challenges in terms of financial and management control, a top priority throughout the organization.

15. Ms. HENKIN (United Nations Population Fund (UNFPA)) noted that UNFPA had received a qualified audit opinion at the forty-sixth session, as well as at earlier sessions, for having failed to provide audited statements for programme expenditures from all of its executing agencies. The issue had been of considerable concern to UNFPA, which had sought to obtain the timely submission of audit certificates and statements of expenditures from United Nations executing agencies. All specialized agencies had complied with the Fund's requests, with the exception of one, which had requested an extension to mid-1992 as a result of difficulties with the upgrading of its computerized accounting systems. As the Board of Auditors had noted, the proportion of expenditures supported by audit evidence for the period 1990-1991 was 82 per cent, a figure that was much improved over earlier years. The figure for the biennium would have been 100 per cent had the one agency in question been able to submit its statements.

16. Regarding the request in General Assembly resolution 46/183 for UNDP executing agencies to conclude standard basic executing agency agreements that would provide for appropriate accountability, UNFPA had proposed to the Governing Council the adoption of a new regulation, patterned after UNDP financial regulations, to govern agreements between UNFPA and United Nations executing agencies. The Governing Council had subsequently approved the new UNFPA regulation.

17. In accordance with paragraph 17 (b) of resolution 46/183, concerning reporting by staff members on a confidential basis of inappropriate use of resources, the Fund had written to all staff members on the subject. It continued to urge UNFPA field offices to arrange for regular audit exercises

(Ms. Henkin)

and to request special audits or management reviews whenever there were indications of possible impropriety and it encouraged field staff to report such cases to the local UNFPA representative or on a confidential basis to headquarters. As recommended by the Board of Auditors, the control of property entrusted to any executing agency was being strengthened, and the subject had been included in the texts of agreements between the Fund and United Nations executing agencies.

18. The representatives of Canada and Sweden had questioned the significance of the role of senior management in UNFPA audit activities. Much progress had been made since the auditors had raised the matter: internal and external audit reports were regularly discussed at Executive Committee level, and speedy corrective action was taken where necessary; the Board's recommendations were also discussed at regional meetings with field staff and at all briefings of representatives and country directors; there had also been discussions with the UNDP Division of Audit and Management Review, and the resulting plans for the Fund's internal audit activities were being implemented. UNDP continued to perform those activities, but recruitment had started for the new UNFPA internal audit unit.

19. On the question of trust fund activities, internal controls were being strengthened with respect to project expenditures and compliance with the relevant agreements. The overexpenditure in two trust funds noted by the auditors had been due to delays in the recording of receipts of funds.

20. The Board had indicated that procurement services to a Government should be provided on a sound legal basis, and the Fund had consulted the General Legal Division with regard to the steps to be taken. It would sign formal agreements with the Governments concerned and submit amendments to its financial regulations to the next session of the Governing Council. Under one new regulation, procurement services could be provided only on the basis of full payment in advance.

21. Income projections would be revised downwards to ensure prudent financial management of programmes, and a conservative approach had been taken in the work planned in that area. The necessary balance would also be maintained between administrative and programme expenditures, with total expenditures kept in line with resources.

22. The Board had not commented on paragraph 14 (b) of resolution 46/183 concerning guidelines for the delineation of expenditures. The Fund had in fact begun to address the issue before it was raised in the General Assembly. Some new guidelines had been approved by the Governing Council in decision 86/35. More recently the Fund had implemented other specific guidelines concerning, for example, official travel. They had been dealt with in document DP/1991/35 and in Council decision 91/37. A policy on the delineation of publication costs relating to programme, programme support and administrative costs had been issued in document DP/1991/37 and endorsed by

(Ms. Henkin)

the Council in decision 91/36. The Administration believed that it had thus complied with the General Assembly resolution.

23. UNFPA recognized that proper follow-up of the Board's recommendations would lead to better management and resource utilization and that the Fund's managers were accountable for every phase of operations. It hoped that the concerns raised by delegations had now been satisfied .

24. Mr. ROMERO-PEREZ (Office of the United Nations High Commissioner for Refugees (UNHCR)) said that the report of the Board of Auditors had highlighted irregularities and deficiencies in financial control and programme monitoring attributable to both UNHCR and its operational partners. UNHCR took those findings very seriously, and decisive responses had been initiated. The nature of the work and the conditions in which the Office and its partners had to operate left them vulnerable to abuse and inefficiency. However, the High Commissioner had recently stated in the Executive Committee that the Office must constantly look at ways of better managing and utilizing its resources. UNHCR was determined to correct the problems, including the cases of mismanagement and fraud referred to by the representative of the United States.

25. The Office was improving procedures and controls to detect irregularities to create a culture of transparency and accountability in the management of resources. It was also seeking to enhance its programming skills and was determined that improved financial accountability would be matched by improved programme delivery. The Office had created two posts of management inspector responsible for preventing irregularities. It was pursuing with the United Nations Secretariat the question of establishing a special unit in the Internal Audit Division in Geneva with a view to obtaining the complete audit coverage which UNHCR now needed. It was also continuing to recruit senior financial, technical and administrative staff to upgrade the Office's skills, as well as continuing with the in-house training of much needed administrative staff.

26. Mr. NIWA (United Nations Development Programme (UNDP)), responding to the questions put by the representative of the United States, said that the Governing Council had signed a standard basic executing agency agreement with the World Health Organization and would sign one with the International Labour Organisation at the end of November; negotiations were continuing with the Food and Agriculture Organization of the United Nations. With regard to the comments by the Advisory Committee in paragraph 65 of its report, UNDP was itself awaiting a formal recommendation from the Panel of External Auditors.

27. The rate of auditing of nationally executed projects had been consistent at about 70 per cent, and the audit of new projects would not be weakened by the streamlined procedures. Since December 1991 travel advances had been paid at 80 per cent of the total amount; progress had been made in the clearance of advances, and outstanding amounts would be debited against the salaries of the

(Mr. Niwa)

staff members concerned. He could not give any more details about the accident involving a UNDP vehicle. The question of property control had been under review, and revised guidelines would be issued before the end of 1992.

28. Some retired staff members had indeed offered their services as consultants at nominal rates but they did all provide useful services. The number of cases was small, and specific details could be given to the United States delegation. With regard to the staff member who had been paid $80,000 without his performing any services, it must be remembered that the programme employed some 8,000 staff and experts in 110 countries. Cases inevitably arose when staff members needed to be accommodated on an interim basis. There were currently 10 such cases, most of which would be dealt with in the imminent annual assignment exercise. Interim status did not mean that the staff members concerned were not providing any services. Over the past 10 years there had been fewer than 10 instances of special leave with full pay, all involving very important staff members and strictly in the interest of UNDP. There had been no inappropriate action by the approving officials.

29. The document references requested by the representative of the United Kingdom with respect to the new arrangements for consultants were DP/1992/40 and Governing Council decision 92/37. UNDP would be able to furnish the representative of Colombia with details of the new procedures for the auditing of programme appropriations.

30. Mr. MICHALSKI (United States of America) said that the representative of UNDP had given the impression that the six cases of special leave with full pay fell within the regulations, but paragraph 177 of the report of the Board of Auditors (A/47/5/Add.1) gave the opposite impression. Was there a difference of opinion on the point between the Board and the UNDP Administration?

31. In paragraph 133 of its report ACABQ noted a decline in UNICEF programme implementation from 80 per cent in 1990 to 69 per cent in 1991. There had also been an increase in programme liquidity. Did that indicate serious problems in programme management not discussed either by the Board or by the Advisory Committee in their reports?

32. His delegation was not convinced that UNDP or any other agency should take up the practice of making supplementary payments to government employees working in United Nations projects. It understood that UNDP was working with other agencies to devise a common approach but thought that the Committee should consider the matter further in the informal consultations. The practice should also be examined by the Board of Auditors.

33. The action taken by UNDP to improve its internal audit coverage was encouraging but the shortcomings remained as serious as those in the United Nations Secretariat. His delegation hoped that the action in question would satisfy the Board's concern. It would itself examine every United Nations

(Mr. Michalski, United States)

agency to ensure that United States contributions to programmes were properly used.

34. Mr. KINCHEN (United Kingdom) pointed out, with regard to the question of the programme liquidity in UNICEF, that in paragraph 124 of its report the Advisory Committee agreed with the Board's recommendation that UNICEF should reassess its liquidity policy. His delegation would like to know what progress had been made with that reassessment and whether a report on the subject would be submitted to the next meeting of the UNICEF Executive Board.

35. Mr. ORR (Canada) asked whether the representative of UNICEF could quantify the amount paid in salary and allowances during the latest accounting period to government employees working in programme activities.

36. Mr. SPAANS (Netherlands) said that he was pleased to hear that in future income projections at UNFPA would be revised and made more realistic. He hoped that the next time the audit was discussed an unqualified opinion could be given. He welcomed the successful outcome of the consultations between the UNICEF Executive Board and the United Nations Secretariat and hoped that the improvements in budgetary and personnel procedures would be helpful in improving overall management.

37. Ms. HENKIN (United Nations Population Fund) said that every effort would be made to bring income estimates into line with expected contributions. She, too, hoped that an unqualified audit opinion could be given in future.

38. Mr. BAUDOT (Acting Controller), responding to questions raised during the debate, said that a number of delegations had expressed concern at the excess of expenditure over allotments amounting to $28 million. Although that figure was equivalent to less than 2 per cent of the total budget, it was still considered unacceptably high. The main reason for expenditure exceeding allotments was inflation, which had been higher than anticipated. In addition, certain items of expenditure had not been controlled or monitored properly. There had also been additional salary costs beyond the Secretariat's control as a result of statutory salary increases approved by the General Assembly and expenses arising from the temporary relocation of staff in Iraq and Ethiopia. On the recommendation of the Advisory Committee, the General Assembly had now allocated $15 million of the $28 million, and had given authorization for the remaining $13 million.

39. At the beginning of 1992, the Administration had been constrained by expenditure commitments of $12 million already incurred at the end of 1991. Although those commitments were unavoidable, strict instructions had been given at the end of 1991 to ensure that no new expenditure would be incurred. Difficulties had been experienced in the control and follow-up of expenditure items and, although some progress had been made, tighter control was needed over the authorization of spending.

(Mr. Baudot)

40. Many delegations had called for the internal audit and its staff resources to be strengthened and had raised questions concerning its role and independence. The Internal Audit Division now had 62 posts, including three Professional posts added during 1992 which were funded from extrabudgetary resources and the support account for peace-keeping operations. In recent years, the Division's resources had been increased to meet its growing responsibilities. If further staff resources were needed, they could be made available through redeployment within the Department of Administration and Management. He noted that the Internal Audit Division was a separate unit and retained effective independence in its functions. With regard to the need for effective preventive control mentioned by the representative of Canada, he agreed that a proper balance should be struck between internal audit functions as such and the need for auditors to act as advisers in order to avert potential problems. He also acknowledged the need for more attention to be given to the follow-up of audit recommendations.

41. With regard to personnel administration, a number of remarks had been made concerning the payment of benefits and allowances, which represented an important part of staff costs and needed to be administered equitably, while seeking to avoid error and abuse. The main problem lay in the fact that administration of the system was highly labour-intensive and the only solution was to develop a fully computerized system.

42. On the question of the use of consultants and experts, the Secretariat was fully committed to the principle reiterated in paragraph 29 of the Advisory Committee's report (A/47/500) that outside expertise should be obtained only when similar in-house expertise was lacking. In general, authorization for recruiting consultants went through the Office of Human Resources Management and it was the responsibility of individual departments to confirm that assignments had been completed. Specific cases of alleged abuse were now being investigated in response to the request made by the Advisory Committee.

43. On the question of procurement, the rule was that only purchases exceeding $20,000 were put out to tender. In 1990-1991, a total of 10,063 purchase orders were issued, of which 1,168 involved amounts over $20,000 and thus were subject to competitive bidding. Indeed, 50 per cent of those orders had been awarded through the bidding process. Permitted exceptions to the competitive bidding rule were laid down in the Financial Regulations and included the purchase of medicines and medical supplies, cases where only one source for a product was available, or general cases of emergency.

44. With regard to property management, questions had been raised concerning the definition of non-expendable property and a number of delegations had felt that current policy was too lax. The current practice was that items costing less than $1,500 and having a serviceable life of five years or more were considered to be expendable. A comprehensive physical inventory had been carried out in December 1991 and steps were now being taken to transfer

(Mr. Baudot)

accountability for non-expendable property to the various departments and offices concerned. The Advisory Committee's recommendation that an office should be designated as responsible for the custody of all documents of title for real property owned by the United Nations had been noted.

45. On the question of cash management and investment policy, he agreed that an official policy was needed to provide clear guidance for investment decisions. Replying to remarks concerning UNITAR by the representative of the United States, he noted that at present the Administration had no mandate to close the Institute without a clear decision by the General Assembly, which had decided to keep the question under review. The Administration was therefore required to do the minimum necessary to keep UNITAR alive. A report was to be submitted to the General Assembly with clear proposals concerning the debt owed to the United Nations by UNITAR and on the question of keeping the Institute open.

46. A report on the question of accounting standards (A/47/443) would be issued shortly and reflected the determination of all bodies concerned to introduce such standards as swiftly as possible.

47. With the exception of budgetary control, the solutions to most of the problems raised were technically simple and merely required the development of proper processes and attitudes within the Organization. Technical innovations would make for progress in many areas, but in other cases improvements in the information system were needed. In order to follow up the recommendations to be made by the General Assembly in its resolution, he suggested that the Department of Administration and Management should issue a memorandum setting out the action to be taken to implement the measures called for in the findings of the external audit.

48. Mr. MICHALSKI (United States of America) said that although his delegation did not question the integrity and devotion of the staff in general, it had, nevertheless, read the report of the Board of Auditors (A/47/5, vol. I), with great concern. Many of the problems noted in previous reports reappeared and the systems installed for the prevention of abuse did not seem to be adequate.

49. According to the report, only three posts within the Internal Audit Division were allocated to peace-keeping operations. Since the annual rate of expenditure on such operations exceeded $2 billion, his delegation would like to know why the number was so small. Regarding the status of the former Director of the secretariat of the International Decade for Natural Disaster Reduction, he asked why the special arrangement indicated had been made and whether the person in question was still being paid out of the related Trust Fund. He repeated his delegation's request for a list of retired staff members employed on temporary contracts and short-term consultancies. A list of retired staff hired as consultants for a nominal fee and retaining their G.4 visas would also be appreciated.

(Mr. Michalski, United States)

50. In regard to UNITAR, his delegation would like to know why so large a sum had been authorized by the Advisory Committee, without Assembly approval, for the purchase of property. It was not aware of any debate on the matter in the Fifth Committee or of any documentation having been submitted to it explaining the specifics of the transaction.

51. Paragraphs 99 to 102 of the report on the United Nations (A/47/5, vol. I) referred to the management of the Afghanistan Emergency Trust Fund, which received contributions both in cash and in kind. He asked whether the Fund had taken into account the Board's findings, in particular the lack of an effective innventory control system. The implication was that inadequate accounting had resulted in the diversion of in-kind contributions.

52. Paragraphs 172 to 174 of the report referred to staff members with salary grades higher than post levels. He asked whether the practice referred to had been found only at Geneva, and whether the Board of Auditors had taken steps to investigate the possibility of similar arrangements at New York. His delegation would like an assurance that the practice was not common throughout the Secretariat. It would also like more information on "performance grades" and on how many such additional levels had been granted.

53. Paragraph 229 referred to the problem of non-competitive bidding. It included a statement to the effect that the Administration had been unable to give an explanation during the audit of the 28 per cent of purchase orders issued through non-competitive bidding or permitted exemptions, "owing to the relocation of the office". His delegation would like to know what relationship there could be between that relocation and the absence of documentation on over one fourth of the contracts entered into. It would also like to know what had been done about overpayments to an office supply company and whether the case had been investigated and found to be an exception or a widespread practice.

54. He turned next to the financial statements of the Tax Equalization Fund (A/47/5, vol. I, Schedule 3.2). He noted, from the statement of income and expenditure for the biennium 1990-1991, that the United States had paid in an amount of $90,592,786, which was greater than total expenditure in that column. The balance in the Tax Equalization Fund in the United States column had thus grown to more than $12 million. The column headed "Other Member States" showed some $256 million as the actual staff assessment under the United Nations regular budget for the biennium 1990-1991. The credits given to other Member States on that account, however, had amounted only to some $231 million, leaving an excess of income over expenditure amounting to some $25 million. In the statement of assets and liabilities as at 31 December 1991 (Schedule 3.2, II), there was a surplus in the "Other Member States" column of $16.9 million. He wondered why that surplus was so large, since very few reimbursements were made to staff members for taxes paid to States other than the United States. The Organization would appear to have retained the money for no particular purpose.

(Mr. Michalski, United States)

55. On the other hand, still in the "Other Member States" column, in respect of the United Nations Mission for the Referendum in Western Sahara, income received from other Member States appeared as $510,600 and the credits applied to other Member States for that mission appeared as $2,088,777. His delegation would like to know the reason for that imbalance, and whether there were similar imbalances in other peace-keeping accounts.

56. He recognized that the issues to which he was drawing attention were rather technical, but recalled that his delegation had spoken in the Committee for Programme and Coordination about the real need for the Fifth Committee to understand the concept of staff assessment, how it was implemented, and how the Tax Equalization Fund operated. In the statement of assets and liabilities (Schedule 3.2 II) in the "Total" column for 1991 an amount of some $44 million was indicated as due from the United Nations General Fund. He took it that that meant that the money had been loaned to the General Fund from the Tax Equalization Fund. If the table was correct, some $28 million of that loan had been money contributed by the United States and some $17 million had been lent by other Member States. His delegation could not understand how that could be the case. Since countries other than the United States did not require their nationals to pay income taxes on their United Nations salaries there was no need to maintain a balance in their account in the Tax Equalization Fund.

57. Turning to the report of the Secretary-General on measures to facilitate reporting by staff members of inappropriate uses of the resources of the Organization, internal controls relating to the payment of allowances and benefits, and efforts to recover outstanding excess income tax reimbursements (A/47/510), he said that his delegation was disappointed by the Secretary-General's response to the Assembly's request for information on the implementation of the confidential reporting system. It believed that the system could be implemented in a way that would protect the rights both of complainants and of those staff members accused of improper use of the Organization's resources. It trusted that its concerns would be taken into account as the Secretary-General developed his proposal to establish the post of Inspector-General. Despite the Secretary-General's conclusions that the established regulations and rules were adequate, the report of the Board of Auditors showed that gaps and opportunities for abuse existed.

58. For example, it was stated in paragraph 20 of the Secretary-General's report, that if a staff member failed to submit a documented request for education grant before the established deadline, the amount advanced was recovered. However, paragraph 190 of the report of the Board of Auditors indicated that many staff members failed to submit the appropriate documents. The Allowances and Benefits Unit, however, did not require compliance with the requirements or suspend the benefits of the staff members concerned. There were thus two different readings of the situation: the Administration claimed that all the regulations were implemented, while the Board of Auditors said that that was not the case. The number of irregularities could well be small,

(Mr. Michalski, United States)

but until the results of an expanded audit were available there was no means of knowing how widespread they were. His delegation could not accept the notion that the shortage of money or manpower absolved the Administration from providing a full accounting. The question would seem to be more one of priorities: in the case in point, not enough money was being allocated to the Allowances and Benefits Unit to ensure that the Organization's resources were being properly used. In regard to the recovery of outstanding excess income tax reimbursements, referred to in paragraphs 30 to 32 of the Secretary-General's report, his delegation would like to know how efficient the current system of verifying the actual amount of tax paid was, and whether cases of fraud or double filing were possible. He asked how many staff had been terminated as a result of the review of income tax returns started some seven or eight years previously, and how much money had been recovered. If the information could not be provided to the Committee immediately, his delegation would like to receive it in writing as soon as possible.

59. Mr. ORR (Canada) said that by "preventive audit" his delegation had meant an internal audit that evaluated systems and practices of internal control with a view to identifying problems before they got out of hand, instead of being called in, as seemed to be the current practice, only after major problems had been identified by management or by the external auditors. In his delegation's opinion, the internal audit should be an integral part of the accountability regime and not a management consultant type of service.

60. Mr. KINCHEN (United Kingdom) said that his delegation would like further information about the verification of the explanations given for expenditure in excess of allotments or in justification of requests for additional appropriations. It would seem logical to expect more of a correlation between the location of individual Secretariat units corresponding to budget sections and the extent of cost overruns. For example, in Geneva and Vienna the effects of inflation and currency fluctuations should be the same. There seemed to be more inconsistency in the overruns than could be explained by the simple factors identified by the Secretariat. His delegation therefore invited the Secretariat and the Board of Auditors to reflect further on the question of verification.

61. His delegation had the impression that actual income consistently exceeded the budget estimates. That would not matter greatly in circumstances where the estimates of expenditure and income were rigorously prepared, fully financed in accordance with the Financial Regulations, and not subject to proposals to suspend the Financial Regulations, so that surpluses could be returned to Member States. However, in the circumstances in which the United Nations was obliged to operate, those Member States which met their obligations risked being assessed at a higher rate than they should be, if there was persistent and unexplained underestimation of income in the budget estimates. He would welcome the Administration's comments on that point.

(Mr. Kinchen, United Kingdom)

62. Lastly, he had a question in regard to the excess of receipts over expenditure shown in statement XXV of the financial statements, entitled "Special Accounts for Programme Support Costs". Given the concern that the programme support costs received from voluntary funds were already at a rate substantially lower than the full cost of the programme support provided to those extrabudgetary activities, his delegation would like an explanation of the $9.8 million shown as a net excess of income over expenditure for 1991.

63. Mr. AL-MAKTARI (Yemen) said that when delegations asked questions they were not intending to criticize the Secretariat but simply seeking more information. The Acting Controller had indicated that the Secretariat found it difficult to monitor expenditures on a day-to-day basis. His delegation would like to know how long the problem was expected to continue, and what measures were envisaged for securing such control. In regard to the recruitment of experts and consultants, he asked how long the Organization would continue to depend on outside expertise. The United Nations was undergoing a serious financial crisis and limiting such recruitment might help to alleviate it. He asked how many experts and consultants were currently under contract. In response to questions about the absence of competitive bidding, reference had been made to cases in which the Secretary-General was exempt from that requirement, for example, medical supplies and equipment. His delegation would like a clear statement of the rules in that connection. In regard to the administration of property, his delegation would like to know the value of the expendable and non-expendable property in the possession of the United Nations.

64. Mr. PREMPEH (Chairman of the Board of Auditors) said that the Board welcomed the Committee's continuing support and was encouraged by the positive responses of the members to its work and by their constructive views and suggestions.

65. He would respond first to questions raised in regard to the United Nations Development Programme (UNDP). The delegation of the United States had questioned the payment of $80,000 to an individual who had provided no services, as described in paragraph 173 of the Board's report (A/47/5/Add.1). He confirmed that the Board had found that particular case only and no others. Also in reply to the United States delegation, he noted that the instances in Geneva of staff members receiving salaries above the appropriate post level were the only cases found by the Board in its audit.

66. With regard to the Afghanistan Emergency Trust Fund, the Board had taken into consideration the results of the audit undertaken by the Internal Audit Division and had reviewed the steps taken to implement the audit recommendations. At the time of the audit, the Board had been satisfied with the progress made in implementing the recommendations of the Internal Audit Division. With regard to contributions in kind, no substantial diversion of income from the programmes had come to the Board's attention, due in part to the lack of an effective inventory control system and the absence of supporting documents, as discussed in paragraph 100 of the Board's report (A/45/7).

(Mr.Prempeh)

67. The Board fully shared the views expressed by the delegations of Argentina, Bangladesh, Canada, China, Japan, Pakistan, the Philippines, Sweden, Ukraine, the United States, the United Kingdom and Zambia on the need to take effective action to improve the administration of funds entrusted to the United Nations by strengthening existing procedures and systems. In particular, the Board shared the delegations' concerns regarding the serious deficiencies it had identified in the areas of programme management, use of staff resources, the payment of staff allowances and benefits, internal auditing, and procurement and property management.

68. The Board did not, however, endorse the proposal by the United States and Japan to defer approval of its report on the United Nations accounts for the biennium 1990-1991 pending the conclusion of an expanded audit for that biennium. The Board had been satisfied with the extent of the audit coverage and had had full access to all the information and records needed to complete its work. As a result, it had been able to form an opinion on the financial statements of the United Nations. The Board felt there was no need to re-examine the 1990-1991 accounts when it could cover areas of specific concern to the General Assembly in its audit programme for the first half of 1993. Those results could be provided in a special report to the forty-eighth session of the General Assembly, as envisaged in paragraph 7 of General Assembly resolution 46/183.

69. Speaking on behalf of the Nordic countries, the representative of Sweden had emphasized the importance of paragraph 6 of General Assembly resolution 46/183, in which the Board had been encouraged to carry out its audits in a comprehensive manner. In that connection, the Board wished to assure the Committee that in addition to carrying out financial audits, it performed a comprehensive examination of records and systems to be certain that funds were spent with due regard to economy, efficiency and effectiveness. The results of that examination were provided in part II of its report on management issues.

70. The Nordic countries believed that the auditing standards of the International Organization of Supreme Audit Institutions (INTOSAI) should be adopted by the United Nations, that is, the external auditors of the United Nations system. In that connection, he noted that the Board must conduct its audits in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (IAEA), of which the Board was a member. The Panel of External Auditors also kept abreast of the international auditing guidelines issued by the International Auditing Practices Committee of the International Federation of Accountants (IFAC). Moreover, at its thirty-third regular session in 1992, the Panel had commissioned its Technical Group to review its common auditing standards to ensure that they were fully consistent with the standards adopted by INTOSAI at its congress in Washington, D.C., held the week of 19 October 1992.

(Mr. Prempeh)

71. The Board had taken note of the Canadian delegation's concerns. It was pleased to report that, at the request of the Panel of External Auditors, the Administrative Committee on Coordination (ACC) had taken steps to develop a set of common accounting standards, to be applied throughout the United Nations system. A draft of those standards had been submitted to the Panel for consideration at its forthcoming session in November 1992. It was expected that a final document would be presented by the Secretary-General, on behalf of ACC, to the General Assembly at its forty-eighth session.

72. In response to the concerns of a number of delegations, he wished to clarify the Board's view regarding the internal audit units within the United Nations system. The function of the internal audit unit was to provide an independent appraisal within the organization concerned; it operated as a service to management by measuring and evaluating the effectiveness of internal control systems. It was the responsibility of the Administration to manage: to work effectively, the Secretary-General and his senior officials had to have the services of a strong internal audit unit. In the view of the Board, the internal audit unit was entitled to report in confidence to the Administration so that it could take necessary action. It was not appropriate for internal audit reports to be provided to offices outside the management level. The Board acknowledged the support offered by many delegations for its recommendations to strengthen the internal audit function.

73. One of the responsibilities of the external auditors was to report on internal controls, including internal auditing, to the General Assembly. The Board would continue to report on the implementation of its recommendations until the Internal Audit Division was brought up to acceptable standards.

74. Two delegations had requested that the Board should make available to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) the findings contained in its management letters. While willing to comply with any such request from the General Assembly, the Board felt that it might complicate and delay its work. In the Board's view, those letters were part of a dialogue between the Board and senior management for the purpose of confirming facts and assisting the Board in forming audit judgements. The management letters would be of no practical value to ACABQ because their contents had not been confirmed. The Board's reports to the General Assembly represented the most reliable source of information and contained the Board's considered judgements.

75. Regarding the proposal by the delegation of Japan to suspend the biennial reporting procedure, he pointed out that the issue was addressed in paragraph 7 of General Assembly resolution 46/183, which invited the Board to continue the practice of issuing a special report for United Nations organizations audited on a biennial basis during the first year of each biennium.

(Mr. Prempeh)

76. The representative of the United Kingdom, speaking on behalf of the European Community, had said that the Twelve would welcome shorter reports from the Board so that the issues raised could receive the necessary attention. He wished to assure the Committee that the Board would take the appropriate measures to condense its reports as much as possible, without sacrificing the substance of the audit results.

77. The Board wished to express its appreciation for the continued support from the Fifth Committee and the Chairman and members of ACABQ. The Board would carefully consider all other issues discussed in the Fifth Committee aimed at improving accountability, economy, efficiency and effectiveness in the expanding operations of the United Nations organizations.

78. The CHAIRMAN informed the Committee that, with the agreement of the Bureau, he had appointed Mr. Jorge Osella, the Committee's Rapporteur, to coordinate informal consultations on item 102.

The meeting rose at 6.35 p.m.